Investor Update

Date: ▮▮▮▮▮▮

At the close of the angel round, we think it is an opportune moment to give a comprehensive update to our investors. The last few months have been spent on product development, business development, recruitment and financing. We are now ready to launch the website to the public, do the next round of financing, get transactions in several verticals and shoot for an IPO (if we get ▮▮▮▮▮ transactions)!! .

Where we need help?

1. *Lead Buyers – we need to jumpstart the marketplace so need big-spending early adopters*
2. *VC Introductions – approaching VCs with a large keiretsu is a scalable way to get lead buyers*
3. *Word-of-mouth, endorsements, and please spend money on our site to buy services!*
4. *Help us form a stellar Board of Directors/Advisors*

Executive Summary
(Read this if you read nothing else).

What have we been upto?
eLance.com is a marketplace for both commodity and customized services. Customized services are ones where the project needs to be defined up-front before a vendor can bid on it whereas commodity services do not need to be defined up-front.

In terms of product development, we've finished implementation of end-to-end systems: RFP/Auction for customized services and optimizer-based technology for commodity services. We're finishing the implementation of the Sandbox area that facilitates the development and delivery of services. Other features we have: personalization through "My Elance", event notifications, feedback mechanisms for peer-to-peer ratings, "Virtual Office" for sellers to set up their virtual presence, communication tools for buyers and sellers to talk communicate with to each other, and a payment and billing solution through an outsourced provider. The major to-dos include adding robust scalability, security and a graphical makeover of the site.

We've carried out several transactions to smooth out our processes. We've done over 20 transactions amounting to around $20,000 worth of transactions (yes, real cash. And the number looks small because of the prices are lower than U.S. levels by 50-90%).

What do we need to do going forward?
The Street values early movers in a giant space that can create a "game-over" perception (eBay, Amazon, Priceline). Given that our space is huge and attractive (democratic marketplace in services), we just need to focus on establishing a market-leading position and create the "game-over" perception. The general feedback was that if we can show a fully working process with over ▮▮▮▮▮ cumulative transactions, triple-digit monthly growth rates, several verticals and a few well-known reference accounts, we are within striking distance of a spectacular IPO.

We need any help we can get to drive transactions through our site. This should not be a hard sell, because buyers do not have to buy services they don't need. All we're asking them to do is to redirect some of them through eLance. And buyers do have the compelling value proposition of scale, flexibility and lower prices.

Product Development

We started in full earnest on product development in ████████ Here are the achievements on that front:

1. An end-to-end process supporting the **RFP/Auction** process for procuring services. The RFP engine will support all verticals that involve customized services – e.g. Software, Graphic Design etc. Customized services are ones where the project needs to be defined up-front before a vendor can bid on it. For example, a software component needs to be specified in detail before sellers can bid on it. The components implemented include:
   - Templates for listing new projects in various verticals. The architecture is flexible enough that it is possible to add new templates (as we add new verticals) in a matter of hours. The project descriptions can either be saved for later use or used to run an auction immediately
   - Auctions (Open, Closed, Dutch, Early-bird, etc.): Once the project is described, buyers can run an auction in various modes:
   - A marketplace area to view all current and closed auctions
   - Bidding tools that let service providers to bid on projects they are interested in working on
   - A "My Elance" section for a personalized view of all your activities in the marketplace (more details below)
   - A Sandbox area to develop and deliver services (more details below)
   - Notifications on various events (more details below)

2. An end-to-end process supporting the **Commodity** process for procuring services. The Commodity engine will support all verticals that involve commodity services – e.g. Translation, Transcription, Tech Support, Tutoring, etc. To clarify our terminology, commodity services are services that do NOT need to be defined before a vendor bids on it. For example, transcription services are quoted at 5-10 cents/line, Translation services go for $5-10/250 words etc. The commodity services can be real-time (through web-based call center) or asynchronous. We have everything working end-to-end except the call-center, which is under development.
   The components implemented are:
   - Templates for vendors to offer their services including specialty, price, availability, turnaround time and capacity.
   - Screens for buyers to specify what they would like to buy, giving constraints on specialty, price, availability, turnaround time and capacity.
   - An optimizer that identifies the most optimal vendor that can provide the services, given above constraints.
   - A listing of the sellers currently available right now and the optimal vendor.
   - A "My Elance" section for a personalized view of all your activities in the marketplace (more details below)
   - A Sandbox area to develop and deliver services(more details below)
   - Notifications on various events (more details below)

3. **Verticals:** We have the several verticals implemented and ready-to-go. Furthermore, our component-based architecture reuses templates that allow us to add a new vertical in a matter of hours. The ones currently implemented are:
   - Software Development (Auction)
   - Tech Support (commodity: asynchronous)
   - Graphic Design (Auction)
   - Transcription (commodity: asynchronous)
   - Translation (commodity: asynchronous)
   - Homework Help (commodity: asynchronous)
   - Astrology (Commodity Services)

   For all the commodity verticals, we can also offer real-time services when the call-center is developed.

4. The **Sandbox** area is the private workspace created for every participant on eLance. The features include:
   - A buyer's area to upload documents needed for the seller to do his work.
   - A seller's area to develop the product.
   - A common area where the seller can deposit his finished product for the buyer to pick-up.
   - A windows-explorer style file navigation tool
   - File/ folder operators such as upload, download, cut, copy, paste, edit, move, rename, delete etc.

5. A personalized user-specific view through "**My Elance**". This page displays every job that the user is involved in either as a buyer or seller.
   - On the buy side, the job is tracked as it progresses through the various stages: "Current Auction Listed", "Closed Auction / Choose Vendor" and "Projects in Progress"
   - On the sell side, the job is tracked as it progresses through the various stages: "Current Auctions", "Auctions Won / Allocate eLancers" and "Projects in Progress"
   - An "About Me" page that lists personal information and preferences.

6. **Notifications** for various events, including:
   - Sellers are notified if they are outbid.
   - When the auction closes, the buyer is notified that he needs to choose a winning bidder
   - When a buyer chooses the winning vendor, the seller is notified whether his bid is accepted or not.
   - The buyer is notified if the selected seller accepted the project or not.
   - In commodity trading, a seller is notified when he is selected either by the optimizer or the buyer

7. **Feedback** for buyers and sellers to rate each other following a transaction. The feedback is provided on the skills of the counter-party, quality of the service, ease-of-working with the other party and timeliness of delivery.

8. **Virtual Office** for vendors to display their credentials, portfolios and other details.

9. "**Preferred Partner List**" feature so that buyers and sellers can create their respective lists of preferred counter-parties. For example, a buyer can choose to deal with a subset of all the vendors on the site in which case they are the only ones who will see an auction or be chosen to provide a commodity service.

10. **Communication** tools for buyers and sellers to communicate. These include:
    - A message board with threaded and chronological views
    - A chat room for communication
    - Under construction – an instant messaging based call-center for real-time tech support/tutoring etc.

11. **Voice** interface – via a business partnership with uReach.com
    - Bridges the real world and the Internet. For example, in medical transcription, the doctor is given an 800-phone number into which she dictates her case history. The corresponding sound file (.wav format) ends up in the buyer's sandbox through the uReach.com interface. The buyer then chooses a transcription vendor to transcribe the file. The transcriptionist accesses the voice file, transcribes and leaves the text version of the document back in the sandbox. This feature can also be used to transcribe business meetings, conferences, personal dictation, etc. The voice/telephony interface allows us to reach conventional users without them having to change their usage patterns.

12. **Electronic Bill presentment and payment** – via a business partnership with CyberBills. Elance needs a global solution for payment. The Cyberbills system meets our requirements because:
    - A buyer can pay using either
      - Any account with a routing number – checking, savings, brokerage account etc.
      - Credit card
    - A seller can receive payment

- Through direct deposit into an account with a routing number – checking, savings, brokerage acct etc.
- Through a paper check via snail mail (thus, we can pay the odd seller in Kazakhstan). This is truly the lowest common denominator globally.

13. **Broadcaster:** We will be installing Microstrategy's DSS Broadcaster to notify market participants of various events. Broadcaster is a sophisticated product that can, among other things, notify users through phone, fax, cellular, beeper, email etc. Interestingly, this product is being installed into our machines remotely by an international vendor at a substantially lower price than is available locally.

14. Stuff remaining to be done:
- GUI design: we expect to bring in graphic designer(s) and information architects to design an appealing user experience.
- Large-scale robustness: while we can handle a significant amount of traffic, truly high-volume traffic brings its own set of problems. We expect to bring on board scalability experts to design for future growth. Also, as we release our site, we will aggressively monitor traffic and make sure we stay ahead of the curve.

Current Investor List

Redacted

Seed Transactions

We have had a "software vertical only" version of our site in production for around two months. The site is presently password-protected, accessible only to invited members.

Number of projects listed so far	35
Number of projects bid on	25
Number of projects awarded	22
Number of projects completed so far	15
Average, Min, Max number of bids per project	5, 0, 20
Total dollar volume of projects	$18,000
What technologies were typically listed	Perl, Java, VB scripting, ASP scripting
Typical savings on a project	50-90%

Marketing

We have run a few cryptic ads to generate buzz among potential investors, employees and customers. These were placed on Page 1 of Silicon India magazine. We have received over 75 resumes in response and curious emails from several potential users. Interestingly, many users who were aware of the general "eLance" concept asked to be let into the site. They were already active eLancers –a copywriter, a team Broadvision engineers, a transcriptionist who happens to be a national award-winning author of sci-fi novels and needs to make money, a startup consultant, a few graphic designers etc. This is a real market validation that there is a need for a service like ours.

Launching the site

We are planning to launch our site███████. There is a compelling pull from the eLancers. We just need to be able to feed the demand for projects.

Business Development

We need to drive transactions through our site. To come up with realistic metrics for how many transactions, we held conversations with a few Wall St. investment bankers. The Street values early movers in a giant space that can create a "game-over" perception. Given that our space is huge and attractive, we just need to focus on establishing market-leading position. The general feedback was that if we can show a fully working process with over ███████transactions in aggregate, with ███████growth rates, across several verticals, with a few well-known reference accounts, we are within striking distance of a spectacular IPO.

Working back from our IPO milestone, we need to generate the requisite transactions. And, we need to do this in short order to maintain our early lead. We plan to get the transactions by:

- Using our angel network to bring in lead transactions
- Approaching VCs and getting transactions through members of their "keiretsu"
- Bringing in a top-notch CEO with enough connections to drive high-volume transactions

Budget / Team

We are up to ██people right now and have a strong technical team.

Raised ███████ in our Series A round of which we have spent around███████ so far. Current burn rate is about███████per month (founders working at nominal salaries). In the extreme scenario, even if we push our burn rate up to███████, we can last in excess of██months.